

Uniform Certificate of Authority Application QUESTIONNAIRE

Directions: Each "Yes" or "No" question is to be answered by marking an "X" in the appropriate space. All questions should be answered. If an applicant denotes a question as "Not Applicable" (N/A) an explanation must be provided. Other answers and additional explanations or details may be provided in writing attached to the affidavit. The affiant should be an executive officer with personal knowledge of the information provided. Please complete this form and file it with the company's application for a Certificate of Authority.

I, John P. Domeika, first being duly sworn do depose and say that this affidavit is made and offered in support of the application for Premera Blue Cross Blue Shield of Alaska, Corp. of Anchorage, AK that I am an executive officer of Premera Blue Cross executing this for and on behalf of the applicant; that I have read the questions and answers herein, and that the answers given are true of my own knowledge, except as to those alleged on information and belief, and as to those I believe the answers to be true.

1. I hold the position(s) of Senior Vice President, General Counsel and Corporate Secretary with the applicant.
2. A. Has the applicant transferred or encumbered any portion of its assets or business, or has its outstanding capital stock been directly or indirectly pledged?
Yes ____ No X ____
- B. Has the applicant merged or consolidated with any other company within the last five Years?
Yes ____ No X ____

If the answer to either question is yes, provide the details in writing and attach to the Questionnaire.

3. Is applicant presently negotiating for or inviting negotiations for any transaction described above?
Yes ____ No X ____

If yes, provide the details in writing and attach to the Questionnaire.

4. Has the applicant ever changed its name?
Yes ____ No X ____

If Yes, attach copies of the instruments effecting such transaction certified by the Secretary over corporate seal as a true copy of the originals, including any official state regulatory approvals and filing data.

5. A. Has the applicant undergone a change of management or control since the date of its latest annual statement filed in support of this application?
Yes ____ No X ____
- B. Does the applicant contemplate a change in management or any transaction that would normally result in a change of management within the reasonably foreseeable future?
Yes ____ No X ____

If the answer to either question is yes, provide the details in writing and attach to the Questionnaire.

6. Is applicant owned or controlled by a holding corporation?
Yes X ____ No ____

- A. If yes, attach and make a part hereof an affidavit by an executive officer of the applicant who knows the facts listing the principal owners (10% or more of the outstanding shares) of such holding corporation by name and residence address, business occupation and business affiliations.

At the completion of the Conversion Transaction, the ultimate controlling person of PBC-AK will be New PREMERA Corp. ("New PREMERA"). As explained in the Statement of Acquisition and Control of a

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Domestic Health Carrier and a Domestic Insurer submitted to the Washington State Commissioner, Washington State Attorney General, Alaska Division of Insurance and Oregon Insurance Division on September 17, 2002 ("Form A"), the Foundation Shareholder will own 100% of the initial capital stock of New PREMERA. Over time and consistent with the Voting Trust and Divestiture Agreement, Foundation Shareholder will sell the capital stock of New PREMERA on the public markets. As described in further detail in the Form A, no institutional investor may own more than 10% of the voting interest in New PREMERA, no non-institutional investor may own more than 5% of the voting interest in New PREMERA, and no person may own more than 20% of New PREMERA's capital stock regardless of such person's voting rights. Thus, at the completion of the divestiture schedule, no person or entity can own more than 10% of New PREMERA.

- B. If no, the applicant must provide an organizational depiction including charts showing the various executive management and directors offices of the applicant, with the name and official title of those responsible for those offices and the portions of the organization they oversee. Any other management offices that exercise control over insurance operations in any state in which you are applying for admission must also be included. Additional charts should be provided to depict any operation that is delegated to a third party. In addition, applicants should include a map or narrative explaining where offices are geographically located and the approximate number of employees at each location.

7. Is applicant owned, operated or controlled, directly or indirectly, by any other state, or province, district, territory or nation or any governmental subdivision or agency?
Yes ____ No X____

If yes, provide the details in writing and attach to the Questionnaire

8. A. Has the applicant's certificate of authority to do business in any state been suspended or revoked within the last ten years?
Yes ____ No X____
- B. Has its application for admission to any state been denied within the last ten years?
Yes ____ No X____

If the answer to either question is yes, provide the details in writing and attach to the Questionnaire.

9. Has any person who is presently an officer or director of applicant been convicted on, or pleaded guilty or nolo contendere to, an indictment or information in any jurisdiction charging a felony for theft, larceny or mail fraud or, of violating any corporate securities statute or any insurance statute?
Yes ____ No X____

If yes, provide the details in writing and attach to the Questionnaire.

10. Is applicant presently engaged in a dispute with any state or federal regulatory agency?
Yes ____ No X____

If yes, provide the details in writing and attach to the Questionnaire.

11. Is applicant a plaintiff or defendant in any legal action other than one arising out of policy claims?
Yes ____ No X____

If yes, provide a summary of each case and an estimate of company's probable liability, if any, and attach to the Questionnaire.

12. Does the applicant purchase investment securities through any investment banking or brokerage house or firm from whom any of applicant's officers, directors, trustees, investment committee members or controlling stockholders receive a commission on such purchases?
Yes ____ No X____

If yes, provide the details in writing and attach to the Questionnaire.

13. Is applicant a

A. Bank,
Yes _____ No ☒ _____

B. Bank holding company, subsidiary or affiliate
Yes _____ No ☒ _____

C. Financial holding company
Yes _____ No ☒ _____

D. Other financial institution
Yes _____ No ☒ _____

If yes, identify the bank(s), bank holding company(ies) or financial institution and the affiliation of the applicant. Provide the details in writing and attach to the Questionnaire.

14. Has the applicant, within 18 months last proceeding the date of this affidavit, done any of the following:

A. Made a loan to an entity owned or controlled directly or through a holding corporation by one or more of applicant's officers, directors, trustees or investment committee members, or to any such person?
Yes _____ No ☒ _____

B. Sold or transferred any of its assets or property, real or personal, to any such entity or person?
Yes _____ No ☒ _____

C. Had its outstanding capital stock directly or indirectly pledged for the debt of an affiliate?
Yes _____ No ☒ _____

D. Purchased securities, assets or property of any kind from an entity owned or controlled by one or more of applicant's officers, directors, trustees, or any persons who have authority in the management of applicant's funds (including a controlling stockholder)?
Yes _____ No ☒ _____

If the answer to any of the last four questions is affirmative, did any officer, director, trustee or any person who had authority in the management of applicant's funds (including a controlling stockholder) receive any money or valuable thing for negotiating, procuring, recommending or aiding in such transaction?
Yes _____ No _____

If yes, provide the details in writing and attach to the Questionnaire.

Not applicable.

15. Provide a detailed description of the applicant's sales techniques. The description should include:

A. Information regarding recruitment and training of sales representatives.

B. Identification as to whether the applicant will be a direct writer or will use agents, brokers or a combination thereof.

C. Explanation of the compensation and control to be provided by the applicant to its agents, brokers or sales personnel.

D. Sample copies of any agreements entered into between the applicant and its agents or brokers.

- E. If the applicant will use a specific agency or managing general agent, identification of the agency or managing general agent and a copy of the agreement for this arrangement.
- F. Sample contract forms of all types used and remuneration schedule, including those for general agents, if any.

PBC-AK's sale techniques will be similar to those currently used by Premera Blue Cross in Alaska. PBC-AK does not have a formal recruiting program as PBC already has a significant agent base in Alaska and those agreements will be assigned by PBC to PBC-AK. As additional agents or agencies become interested in selling PBC-AK products, New Premera Blue Cross Corp. will appoint the agents or agencies as needed consistent with the Management Agreement. New Premera Blue Cross Corp. will be responsible for reviewing appropriate product offerings with new agents/agencies to ensure the products are represented appropriately to their clients. PBC-AK conducts an annual symposium for invited agents/agencies each fall to provide an update on company financials, updates to products and other pertinent industry information.

PBC-AK uses a combination of direct sales and agents/agencies, with primary emphasis on agents/agencies. Direct sales staff are compensated on a salary basis with personal incentives for the corporate-wide bonus program. External agents are compensated consistent with their Commission Agreement and its addenda. A sample of the current Commission Agreement and applicable addenda are attached as Subsection B-1 to this Questionnaire. As explained in the Form A, New Premera Blue Cross Corp. will be the sole managing general agent for PBC-AK.

16. For each state in which the applicant is filing explain:

- A. The product lines currently sold or planned by the applicant,
- B. Specialty line or lines currently sold and planned,
- C. Captive business,
- D. The applicant's marketing plan, including a description of the financial, corporate or other connections productive of insurance,
- E. The applicant's current and expected competition (both regionally and nationally) and
- F. How each state in which admission has been requested fits into the marketing plan.

A general description of the classes to be transacted is not an adequate response. For example, if the applicant plans to market credit life and disability products tailored for use by credit unions, simply stating that it will transact credit life and disability is inadequate.

PBC-AK will continue to sell those products currently sold by Premera Blue Cross in Alaska, including individual, small group and large group products. It will also act as a third party administrator for self-funded employer groups. Pursuant to the Transfer of Assets Agreement contained in Exhibit G-11 of the Form A, PBC-AK intends to assume all assets and liabilities of Premera Blue Cross connected with its current Alaska hospital and medical service corporation business and third party administrator activities. PBC-AK does not anticipate that competition in the Alaska health plan market will change based on this Application or the Conversion Transaction. A more detailed description of competition in the regional health plan market is contained in the Business Plan, which is attached as Exhibit E-7 of the Form A.

17. If a parent, subsidiary and/or affiliated insurer is admitted for the classes of insurance requested in the pending application, please differentiate the products and/or markets of the applicant from those of the admitted insurer(s).

As explained in the Form A, Premera Blue Cross is currently licensed to sell health care coverages as a hospital and medical service corporation in Alaska. As part of the Conversion Transaction, Premera Blue Cross will no longer sell health care coverages in Alaska.

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18. Provide a detailed description of the advertising that will be used by the applicant to market its products in each state. Include a detailed explanation as to how the applicant will develop, purchase, control and supervise its advertising.

PBC-AK will use the trade name Premiera Blue Cross Blue Shield of Alaska. All advertising material will be similar to those used today by Premiera Blue Cross in Alaska. Per the terms of the Management Agreement, New Premiera Blue Cross Corp. will develop, purchase, control and supervise all advertising activities for PBC-AK, including, but not limited to, retention of one or more advertising firms to develop advertising strategy, collateral, etc.

- 19 Explain in detail how (a) the applicant's policies will be underwritten, including the issuance of policies and endorsements (b) policies will be cancelled and (c) premiums and other funds will be handled, including:

- A. Identify the entity that will perform each of these functions.
- B. Describe how the personnel will be trained, supervised, and compensated.
- C. If personnel performing these functions will be shared with another entity or, if another entity will be performing these functions, please provide an explanation of this arrangement and a copy of the agreement for this service.

Per the Management Agreement, New Premiera Blue Cross Corp. will perform all underwriting activities on behalf of PBC-AK. As such the underwriting practices employed today for Premiera Blue Cross in Alaska will be the same used for PBC-AK, including an underwriting manual that outlines the process for underwriting health insurance business. Underwriting staff are trained on the use of the manual, supervised by internal managers and compensated on a salary-basis or hourly basis depending on the applicable pay grade. Similarly, the issuance and the cancellation of policies for individual and group policies will remain consistent as used today meaning that policies will be issued to and/or cancellation notices delivered to the policyholder (i.e., subscriber for individual product and group administrator for group products). New Premiera Blue Cross Corp. will also handle all billing and collection services concerning policy premiums.

20. Explain in detail how the applicant will adjust and pay claims.

- A. Identify the entity that will perform the applicant's claims adjusting and claims payment functions.
- B. Describe how the personnel handling claims adjusting and claims payment will be trained, supervised and compensated.
- C. If personnel for claims adjusting or claims payment will be shared with another entity or another entity will be performing the applicant's claims adjusting and claims payment, please explain this arrangement, including any affiliation with the applicant, and provide a copy of the agreement for this service.
- D. Provide detailed information as to how and by whom claim reserves will be set and modified.
- E. Does applicant pay any representative given discretion as to the settlement or adjustment of claims under life or disability policies, whether in direct negotiation with the claimant or in supervision of the person negotiating, a compensation which is in any way contingent upon the amount of settlement of such claims?
Yes ____ No X____

Per the Management Agreement, New Premiera Blue Cross Corp. will adjust and pay all claims. New Premiera Blue Cross Corp. will have policies and procedures concerning the adjustment and payment of claims similar to those used today by PBC in Alaska. Although most claims adjustments are handled electronically through our claims adjudication systems, claims processors and other operations personnel receive extensive training on proper adjustment and payment practices. Claims reserves will be set on a monthly basis by New Premiera Blue Cross Corp's Corporate Actuarial department using the industry standard reserve model. Such model uses generally accepted actuarial standards and meets the requirements of the insurance laws and regulations of the State of Alaska and other states in which we are licensed.

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21. Is applicant a member of a group of companies that shares any of the following:

A. Common facilities with another company or companies

Yes ☒ No _____

B. Services (e.g. accounting personnel for financial statement preparation)

Yes ☒ No _____

C. Or, is a party to a tax allocation agreement in common with another company

Yes ☒ No _____

If the answer to any of the above is Yes, explain the division of costs between participants. If costs are pro-rated, what is the basis for division? Attach a copy of relevant contracts and include a summary of any attached contract.

Intercompany Services and Cost Allocation Agreement: The proposed Intercompany Services and Cost Allocation Agreement was submitted to the Division as a Prior Notice of Transaction and included as part of the Form A, which included: a description of the agreement, a description of the period of time during which the agreement is to be in effect; a brief description of each party's expenses of costs covered by the agreement; and a brief description of the accounting basis to be used in calculating each party's costs under the agreement. The Agreement is attached as Exhibit 4 to Exhibit G-9 of the Form A.

Tax Sharing Agreement: The proposed Tax Sharing Agreement was submitted to the Division as a Prior Notice of Transaction and included as part of the Form A, which included: a description of the agreement, a description of the period of time during which the agreement is to be in effect; a brief description of each party's expenses of costs covered by the agreement; and a brief description of the accounting basis to be used in calculating each party's costs under the agreement. The Agreement is attached as Exhibit 5 to Exhibit G-9 of the Form A.

22. Does applicant have any reinsurance contracts which in effect provide that applicant will reimburse or indemnify the Reinsurer for losses payable thereunder?

Yes _____ No ☒

If yes, provide the details in writing and attach to the Questionnaire.

23. A. Does the applicant use a third party (affiliated or unaffiliated) to manage the applicant's investments?

Yes ☒ No _____

If so, provide detailed information as to the compensation that will be paid for management of the applicant's investments.

B. Provide copies of the applicant's investment management agreements and any investment guidelines.

The investment management agreements and investment guidelines contain confidential and proprietary information, and will be submitted separately from the remainder of the UCAA as Subsections 6(B)2 and 6(B)3, respectively.

C. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all the applicant's stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1-General, Section IV.H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?

Yes ☒ No ☐

1. For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

Name of Custodian(s): _____ Custodian's address: _____

1.1 BNY Western Trust

Seattle, WA

1.2 _____

1.3 _____

2. For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation: Not applicable

	Name(s):	Location(s):	Complete Explanation(s):
2.1	_____	_____	_____
2.2	_____	_____	_____
2.3	_____	_____	_____

- 2.4 Have there been any changes, including name changes, in the custodian(s) identified in 2 during the past five years? Yes[] No[X]

- 2.5 If yes, give full and complete information relating thereto: Not applicable

	Old Custodian	New Custodian	Date of Change	Reason
2.5.1	_____	_____	_____	_____
2.5.2	_____	_____	_____	_____
2.5.3	_____	_____	_____	_____

3. Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

	Central Registration Depository Number(s):	Name(s):	Address:
3.1	_____	Black Rock Financial Management	New York, NY
3.2	_____	Asset Allocation and Management	Chicago, IL
3.3	_____	Northern Trust Company	Chicago, IL
3.4	_____	ICM Asset Management, Inc.	Spokane, WA

24. Does any salaried employee or officer, exclusive of a director, presently have in force a license as an insurance broker issued by the Alaska Department of Insurance?

Yes X No _____

If yes, please identify his/her license and position held with applicant.

Jeffrey Davis, (title to be determined)

25. Does applicant have outstanding unexercised stock options?

Yes _____ No X

A. If so, to whom and in what number of shares?

B. If options are outstanding for a number of shares greater than 10% of the number of shares presently issued and outstanding, a copy of the option form and of the plan pursuant to which they were granted are attached.

26. Are any of the applicant's policies being sold in connection with a mutual fund or investment in securities?

Yes _____ No _____ Not Applicable X

If Yes, supply details including all sales literature which refers to the insurance and mutual fund or other investment plan connection.

27. If applicant is applying for authority to write Variable Annuities, provide the following:

- a) Copy(ies) of any third party management or service contracts
- b) Commission schedules
- c) Five-year sales and expense projections
- d) A statement from the insurer's actuary describing reserving procedures including the mortality and expense risks which the insurer will bear under the contract
- e) Statement of the investment policy of the separate account
- f) Copy of the variable annuity prospectus as filed with the SEC unless the separate account is not required to file a registration under the federal securities law
- g) Copies of the variable annuity laws and regulations of the state of domicile
- h) Copy(ies) of the variable annuity contract(s) and application(s)
- i) A description of any investment advisory services contemplated relating to Separate Accounts
- j) Board of Directors resolution authorizing the creation of the separate account

Not applicable as PBC-AK will not write variable annuities.

28. If applicant is applying for authority to write Variable Life Insurance, provide the following:

- a) Copy(ies) of variable life policy(ies) the company intends to issue
- b) Name and experience of person(s) or firm(s) proposed to supply consulting, investments, administrative, custodial or distribution services to the company
- c) Disclose whether each investment advisor i) is registered under the Investment Advisers Act of 1940, or ii) is an investment manager under the Employee Retirement Income Security Act of 1974, or iii) whether the insurer will annually file required information and statements concerning each investment advisor as required by its domiciliary state
- d) Copy of the variable life prospectus as filed with the SEC unless the separate account is not required to file a registration under the federal securities law
- e) Statement of the investment policy of any separate account, and the procedures for changing such policy
- f) Copies of the variable life insurance laws and regulations of the state of domicile
- g) A statement from the insurer's actuary describing reserving procedures including the mortality and expense risks which the insurer will bear under the contract
- h) Standards of suitability or conduct regarding sales to policyholders
- i) Statement specifying the standards of conduct with respect to the purchase or sale of investments of separate accounts (i.e. Board resolution)
- j) Board of Directors resolution authorizing the creation of the separate account

Not applicable as PBC-AK will not write variable life insurance.

29. Has applicant at any time in any jurisdiction while operating under its present management, or at any time within the last six years irrespective of changes in management, taught or permitted its agents to sell insurance by using any of the following devices, or representations resembling any of the following:

- A "Centers of influence" and "advisory board,"
Yes___ No___ Not Applicable X___
- B. A charter or founder's policy,
Yes___ No___ Not Applicable X___
- C. A profit sharing plan,
Yes___ No___ Not Applicable X___
- D. Only a limited number of a certain policies will be sold in any given geographical area;
Yes___ No___ Not Applicable X___
- E. "Profits" will accrue or be derived from mortality savings, lapses and surrenders, investment earnings, savings in administration;

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Yes____ No____ Not Applicable _X____

- F. A printed list of several large American or Canadian insurers showing the dollar amounts of "savings", "profits" or "earnings" they have made in such categories.

Yes____ No____ Not Applicable _X____

If the answer to any of the above is yes, supply a complete set of all sales material including the sales manual, all company instructional material, brochures, illustrations, diagrams, literature, "canned" sales talks, copies of the policies which are no longer in use, list of states where such methods were used and the date (by year) when they were used, the approximate amount of insurance originally written in each state on each policy form thusly sold, the amount currently in force, and the lapse ratio on each form year by year and cumulatively in gross to the present date.

30. Does the company pay, directly or indirectly, any commission to any officer, director, actuary, medical director or any other physician charged with the duty of examining risks or applications?

Yes____ No _X____ Not Applicable____

If yes, provide the details in writing and attach to the Questionnaire.

[Remainder of this page left intentionally blank.]

Applicant Name: Premera Blue Cross Blue Shield of Alaska Corp. NAIC No.: _____
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Witness my hand this 3rd day of October, 2002, at Mountlake Terrace, Washington.

(Affiant)

Senior Vice President, General Counsel & Assistant Corporate Secretary
(Title)

Premera Blue Cross for and on behalf of Premera Blue Cross Blue Shield of Alaska Corp.
(Insurer)

State of Washington)

County of Snohomish)

On October 3, 2002 before me, John P. Domeika personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the Insurer upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Signature _____
(Signature of Notary Public)

[NOTARIAL SEAL]